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Cooperation, Coordination and Communication Key to OIFP Success

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Sheila Breeding of Allstate New Jersey joins Attorney General Peter C. Harvey, Division of Criminal Justice Director Vaughn McKoy and Insurance Fraud Prosecutor Greta Gooden Brown in announcing the State indictment against staged accident ringleader Iris Salkauski.



Cooperation, Coordination, and Communication Key to OIFP Success

by Stephen D. Moore

While the Office of the Insurance Fraud Prosecutor's record of successful investigations and prosecutions may have established it as the nation's most emulated model for fighting insurance fraud, it has been through a winning combination of communication, cooperation and coordination that the Office has been recognized within New Jersey as the leader in New Jersey's war on insurance fraud.

When the New Jersey Legislature established the Office of the Insurance Fraud Prosecutor (OIFP), it did more than merely create another government agency to fight insurance fraud. It endowed that agency with the mandate and the tools to ensure that, from that time forth, insurance fraud cases would not "fall between the cracks" of the disparate New Jersey bureaucracies having responsibility for addressing different aspects of insurance fraud. As expressly recognized by the Legislature

in the Preamble to the law which gave birth to OIFP, the Automobile Insurance Cost Reduction Act of 1998 (AICRA), "...while the pursuit of those who defraud the automobile insurance system has heretofore been addressed by the State through various agencies, it has been without sufficient coordination to aggressively combat fraud, leading to the conclusion that greater consolidation of agencies which were created to combat fraud is necessary to accomplish this purpose...."

Whereas the consolidation contemplated by the Legislature was largely realized by transferring civil insurance fraud investigatory responsibilities from the Department of Banking and Insurance to a fledgling OIFP within the Department of Law and Public Safety's Division of Criminal Justice, a law enforcement agency, lawmakers also ensured that OIFP would have a statutory mechanism to fulfill the



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Selective Insurance Assistant Vice President Joanne Roberts lectures investigators on fraud prevention and awareness.

Legislature's expectation that OIFP would lead New Jersey's fight against insurance fraud by coordinating the anti-fraud efforts of others in both the public and private sectors.

As envisioned by the Legislature, coordination would be achieved by having OIFP establish a comprehensive system for making and receiving insurance fraud referrals and equally comprehensive databases for documenting, tracking, evaluating and analyzing those referrals. Coordination would be further enhanced by requiring OIFP to meet regularly with insurance industry representatives, County Prosecutors, and other units of state and local government which investigate fraud.

Liaison Section

Perhaps most significantly, the Legislature required in AICRA that OIFP establish an institutional mechanism to implement these measures by specifically designating a section of the Office "to be responsible for establishing a liaison and continuing communication between the office and the Department of Health and Senior Services, the Department of Human Services, any professional board in the Division of Consumer Affairs in the Department of Law and Public Safety, the Department of Banking and Insurance, the Division of State Police, every county prosecutor's office, such local government units as may be necessary or practicable and insurers." OIFP, in turn, established the OIFP Liaison Section, whose primary responsibility is to ensure the ongoing statewide coordination of the activities of virtually every public and private entity in New Jersey involved in any aspect of addressing New Jersey's pandemic of insurance fraud.

To ensure that the coordination efforts of its Liaison Section adequately embrace the overlapping responsibilities and activities of public agencies which investigate or otherwise encounter insurance fraud, particularly those in the law enforcement community, as well as those in various areas of the insurance industry, OIFP assigned veteran staffers to act, respectively as its County Prosecutor, Law Enforcement, Insurance Industry and Professional Boards Liaisons. Each of these Liaisons has been specifically tasked with coordinating OIFP's corresponding investigations and prosecutions with the activities of those agencies or entities within their respective spheres of responsibility.

County Prosecutor Liaison

As the title suggests, the County Prosecutor Liaison is responsible, among other things, for coordinating investigations and prosecutions emanating from the State's 21 County Prosecutors' Offices with those undertaken by OIFP. In order to avoid the possibility of OIFP and a County Prosecutor's Office working on the same case unbeknownst to each other, OIFP's County Prosecutor Liaison established, as contemplated by AICRA, a comprehensive system of referrals and statistical reporting to monitor county investigations and, when appropriate, take measures to ensure that the activities of their respective agencies complement, rather than conflict with, one another.

The protocol established by the County Prosecutor Liaison requires that County Prosecutors provide OIFP with "Cumulative Monthly Reports" which set forth the names, addresses and other identifiers of all subjects under investigation in their offices for suspected insurance fraud. County Prosecutors update their reports on a monthly basis, including information concerning the type of suspected insurance fraud and the current status of any investigative or prosecutorial efforts undertaken in their offices with respect to the reported matters. This information is added to, and integrated into, OIFP's own databases.

By reviewing and tracking every insurance fraud matter opened by a County Prosecutor's Office in the State, the County Prosecutor Liaison is able to identify cases which may already be the subject of an investigation by OIFP, and which would result in a duplicative, if not a dangerous, use of precious law enforcement resources. Whenever more than one law enforcement agency is investigating the same

matter or individual, there exists the potential that one or more of the investigative activities of the involved agencies might adversely impact upon the activities of the other, such as the case where one agency prematurely arrests a "target" who is being wiretapped, or unwittingly arrests an informant or undercover agent working for another agency. Identifying such cases early in the process, at the very least, prevents the agencies involved from unnecessarily expending resources to undertake identical investigative measures. Conversely, identifying cases which have caught the attention of more than one law enforcement agency may facilitate the sharing of critical investigative information among those agencies.

The information reported monthly by County Prosecutors' Offices also enables OIFP to open corresponding

OIFP State Investigators participate in auto arson forensic training provided by Allstate as part of the new OIFP/Industry Joint Training Program.





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civil investigations in cases where the law provides authority for the imposition of a civil fine. Inasmuch as prosecutors are sometimes unable to successfully prosecute the subject of insurance fraud investigations because they are unable to establish proof of the suspected crimes "beyond a reasonable doubt," OIFP is often able to impose a civil fine on the very same subjects reported by the counties in their monthly reports, because the imposition of a civil penalty requires the lesser burden of proof by a "preponderance of the evidence."

Accordingly, every case reported by a County Prosecutor's Office is promptly reviewed upon receipt by OIFP to determine whether it is appropriate to assign for investigation by OIFP Civil Investigators. Where it appears that the matter falls within the purview of the Insurance Fraud Prevention Act (Fraud Act), which permits the imposition of civil insurance fraud penalties, the matter is promptly assigned to a Civil Investigator, who contacts an Assistant Prosecutor or Investigator in the reporting County Prosecutor's Office to identify an appropriate point of contact and open a channel of continuing communication to coordinate the investigative and prosecutorial activities of the reporting county with those of the OIFP Civil Investigator. This process often enables OIFP to obtain a voluntary Consent Order, requiring a subject to pay a civil fine, within the context of a negotiated guilty plea. Such reporting by County Prosecutors in 2003 enabled OIFP to open 797 civil cases for investigation. Many of the most substantial fines imposed by OIFP in 2003 resulted directly from cases reported by County Prosecutors' Offices.

In order to assist in particular investigations and, when necessary, provide technical assistance, the County Prosecutor Liaison is frequently in con-

tact with Investigators, Detectives and Assistant Prosecutors in the County Prosecutors' Offices. The County Prosecutor Liaison also meets regularly with representatives of County Prosecutors' Offices at quarterly regional law enforcement coordination meetings hosted by OIFP at its three regional offices, where OIFP provides guest speakers and opportunities for networking and sharing information as to pending insurance fraud investigations within their respective offices. The County Prosecutor Liaison also conducts annual insurance fraud training at OIFP's central offices in Lawrenceville, New Jersey, and is responsible for administering the County Prosecutor Insurance Fraud Reimbursement Program, which provides funding that enables County Prosecutors to establish or augment Insurance Fraud Units within their offices. In its fourth full year of operation in 2003, the Reimbursement Program provided over \$3 million in funding to County Prosecutors.

Law Enforcement Liaison

In recognition of the fact that virtually every law enforcement agency in New Jersey is apt to encounter insurance fraud at one time or another, OIFP has also assigned a Law Enforcement Liaison to work with law enforcement agencies other than those agencies assigned to the County Prosecutor Liaison. The Law Enforcement Liaison's primary responsibility is to ensure the appropriate coordination of OIFP's investigations and prosecutions with those of other law enforcement agencies, both within and without New Jersey. Those law enforcement agencies range from local and county police departments, to County Sheriffs' Departments, to the New Jersey State Police, and their counterparts in adjoining states, as well as federal law enforcement agencies having a presence in

New Jersey, such as the Federal Bureau of Investigation.

The Law Enforcement Liaison's responsibilities also include the administration of OIFP's protocols for issuing documentation used in undercover investigations, such as fictitious insurance cards and pretext insurance policies, which contribute to the aura of authenticity necessary to the success of undercover sting operations. His responsibilities also extend to the distribution of training and other informational materials to local police departments. For example, whenever OIFP produces a roll call training video, OIFP distributes those videos, through the Law Enforcement Liaison, to every law enforcement agency in New Jersey, including county and municipal police departments. In 2003, in addition to OIFP's initial distribution of roll call training videos to New Jersey law enforcement agencies, the OIFP Law Enforcement Liaison distributed another 44 training videos to requesting law enforcement agencies, including many from outside of New Jersey. The Law Enforcement Liaison was also responsible for the distribution of over 1,000 copies of OIFP's Uninsured Motorist Identification Directory (UMID), which is produced by OIFP to provide law enforcement agencies with a comprehensive directory of insurance company insurance verification hotline telephone numbers. The UMID is now commonly used by patrol officers throughout New Jersey to verify the legitimacy of insurance cards presented to them by motorists.

In his role as OIFP's representative to the law enforcement community, the Law Enforcement Liaison is also responsible for scheduling and hosting OIFP's regional law enforcement coordination meetings which, in 2003, featured guest speakers with expertise in such areas as identity theft, health care fraud and ethnic insurance fraud rings.

The Law Enforcement Liaison also regularly attends meetings of numerous law enforcement and related organizations and associations, such as the Anti-Fraud Association of the Northeast, the New Jersey Special Investigators Association, the Delaware Valley Chapter of the International Association of Special Investigation Units, the National Insurance Crime Bureau (NICB), the Mid-Atlantic States Insurance Fraud Association (MASIFA) and the Northeast Chapter of the International Association of Vehicle Theft Investigators. He is also responsible for supervising OIFP's informational display booths at such events as the annual NJSIA Conference and the Police Expo held in conjunction with the annual convention of the New Jersey Chiefs of Police Association.

Because insurance fraud is, by its

Members of the OIFP executive staff (l. to r.) Stephen Moore, John J. Smith, Jr. and Melaine Campbell discuss an investigative plan during a strategy session.





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Director of Division of Criminal Justice Vaughn L. McKoy gives keynote address at the New Jersey Special Investigators Association Seminar.

very nature, a crime of relative subtlety and complexity, it is essential that any program to combat insurance fraud offers training which is tailored to the needs and expertise of those who are most likely to encounter such fraud in any of its many forms. As law enforcement's front line in the war on insurance fraud, local police officers frequently encounter situations in which insurance fraud in one form or another may be lurking, yet traditional law enforcement training has rarely provided those officers with the tools to effectively detect or investigate such fraud. OIFP, however, has stepped in to fill that void and, through its Law Enforcement Liaison, offers a comprehensive roster of training opportunities for law enforcement officers at every level of experience, including basic and in-service training in such areas as identifying and charging offenses involving counterfeit insurance cards, falsely reported auto thefts and "staged" accidents.

OIFP's Law Enforcement Liaison also routinely fields requests for assistance from other law enforcement agencies, and works diligently to ensure that such assistance is forthcoming. In 2002 and 2003, the Law Enforcement Liaison worked closely with the Insurance Council of New Jersey (ICNJ) to assist insurance company investigators in obtaining accident reports from local police departments. Police departments in New Jersey have historically been reluctant to release accident reports to persons other than those involved in the reported accidents because the reports have often been used by "runners" to recruit patients for medical and chiropractic "treatment mills." Pursuant to AICRA, however, insurance company investigators are entitled to receive information from such reports within 24 hours after the occurrence of an accident in which their company has an interest. In

those cases where the request of an insurance company investigator for an accident report is met with resistance by a local police department, OIFP's Law Enforcement Liaison works as an intermediary with local police departments to ensure that the reports are provided as required by law.

Insurance Industry Liaison

Because the overwhelming majority of OIFP's insurance fraud cases result from referrals made by the insurance industry, effective coordination and open channels of communication are essential to the success of both OIFP and insurance industry fraud investigations. Consequently, AICRA specifically provided that OIFP should formally establish a liaison to ensure continuing communications with insurers. OIFP's Insurance Industry Liaison is assigned a variety of responsibilities to ensure that the respective efforts of OIFP and insurance industry investigators complement and assist one another in the investigation of suspected insurance fraud. Among other things, the Insurance Industry Liaison ensures that appropriate standards for referrals from insurance companies are established, maintained and communicated to insurance industry investigators. Perhaps more importantly, the Insurance Industry Liaison maintains a close working relationship with officials from all sectors of the insurance industry, including both executive and staff level personnel, to ensure that issues are identified and addressed both promptly and effectively.

As OIFP's primary point of contact with the insurance industry, the Insurance Industry Liaison also provides guidance, advice and technical assistance to the insurance industry with respect to a wide spectrum of issues and concerns, such as the sharing of investigative information, compliance with

statutory reporting requirements, and the formulation of solutions to problems confronted by the insurance industry when dealing with insureds who commit insurance fraud. The Insurance Industry Liaison and his assistant provided assistance or guidance to industry personnel on 917 occasions in 2003.

The Insurance Industry Liaison also hosts the OIFP/Insurance Industry Working Group Meetings which regularly meet to discuss, and seek solutions to, issues and problems of the most concern to those in the insurance industry. Many proposals conceived in these meetings have been refined and incorporated as recommendations for legislative or regulatory reform by OIFP in its Annual Report to the Governor and Legislature. Different working groups have been established by the Insurance Industry Liaison to address the concerns of those in the insurance industry working, respectively, in the areas of property and casualty insurance, as well as those working in the areas of life and health insurance. The Insurance Industry Liaison has also been an important member of OIFP's working group created to implement AICRA's requirement that OIFP establish a database incorporating all paid claims in New Jersey involving automobile insurance. It is anticipated that regulations reflecting the deliberations of this working group will be adopted in 2004.

OIFP is also represented by the Insurance Industry Liaison in meetings with insurance companies and insurance industry trade associations, which provide a continuing opportunity for the candid exchange of information and ideas on matters of mutual interest. Among the meetings attended by the Insurance Industry Liaison in 2003 were gatherings of the Anti-Fraud Association of the Northeast, the NICB, the Insurance Council of New Jersey, the New Jersey Special Investigators Association, the New Jersey Vehicle

Theft Investigators Association and the Delaware Valley and national meetings of the International Association of Special Investigative Units. In 2003, the Insurance Industry Liaison also provided training to nearly 2,000 employees of the insurance industry concerning the structure and operations of OIFP and insurance industry fraud reporting requirements.

OIFP's Insurance Industry Liaison also works closely, on behalf of OIFP, with the New Jersey Department of Banking and Insurance. In this regard, the Liaison's responsibilities include the coordination and tracking of OIFP cases which involve professionals licensed by the Department of Banking and Insurance, including licensed insurance producers, public adjusters and real estate agents. In 2003, the Insurance Industry Liaison tracked 67 such cases.

The program established by the Insurance Industry Liaison in 2002 to distribute OIFP's press releases to approximately 125 insurance industry officials grew substantially in 2003, as the list of those wishing to receive the press releases continues to expand. As noted elsewhere in this Report, the Insurance Industry Liaison also continued to play a significant role in OIFP's public awareness programs, distributing thousands of fraud awareness posters and brochures, and again playing an important part in planning and conducting both the Annual Conference of the New Jersey Special Investigators Association and the annual New Jersey Insurance Fraud Summit.



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Professional Boards Liaison

Because many types of insurance fraud are committed by individuals who are licensed to provide medical and other health related services, OIFP has also designated an individual within its Liaison Section to act as its "Professional Boards Liaison." Among those licensed individuals who sometimes succumb to the temptation to commit insurance fraud are physicians, chiropractors, pharmacists, physical therapists, dentists and others in the allied medical professions. Effective coordination between OIFP and professional licensing authorities is essential to ensure that complaints received by OIFP involving licensed professionals are brought to the attention of the appropriate licensing authorities, and that those authorities are provided with such information as may be necessary to enable those authorities to take appropriate action against licensees who have committed, or are suspected of committing, insurance fraud. Coordination by the Professional Boards Liaison also ensures that, whenever a complaint to one of the licensing authorities involves possible insurance fraud, the matter is brought to the attention of OIFP investigators in order to determine whether a civil or criminal investigation by OIFP is warranted. In the absence of such coordination, matters under review by the professional licensing boards might otherwise escape the scrutiny of law enforcement authorities or, conversely, matters under investigation by OIFP or County Prosecutors' Offices might otherwise avoid review by the professional licensing boards.

OIFP's Professional Boards Liaison has established, and maintains, a comprehensive database of professional licensees who have been the subject of complaints to either OIFP, a

County Prosecutor's Office or one of the State's professional licensing boards. The database includes information concerning the nature and source of the complaint or referral, as well as the status of any proceedings brought by the Enforcement Bureau of the Division of Consumer Affairs, the enforcement arm of the licensing authorities. It also includes information as to the status of any investigation or prosecution of a listed licensee by OIFP or a County Prosecutor's Office. The Professional Boards Liaison has also established a protocol providing for the prompt notification to the professional licensing boards whenever OIFP undertakes investigation of a licensee under a board's jurisdiction, as well as a reciprocal requirement providing that professional licensing boards advise OIFP whenever they receive a complaint against one of their licensees involving insurance fraud.

The Professional Boards Liaison conducts bi-monthly meetings with key members of the Division of Consumer Affairs Enforcement Bureau and OIFP supervisory investigative and prosecutorial personnel to review and discuss the status of any proceedings, whether planned or pending, against any licensee in the database, whether those proceedings are administrative, criminal or civil in nature. By sharing information in this manner, the Professional Boards Liaison is able to ensure that actions taken by one agency do not, in any way, negatively impact upon the proceedings of any other agency concerned with the licensee under scrutiny. The exchange of information at these meetings also enhances the ability of each agency to more effectively conduct its own investigations, and to determine whether further proceedings may be warranted with respect to a particular licensee.

This group, designated as the Liaison and Continuing Communications Group, monitored some 626 active insur-

ance fraud related cases in 2003. Since its inception late in 1998, the Group has reviewed and disposed of 693 cases through civil or criminal dispositions by OIFP, licensing sanctions by a professional licensing board or by administrative closure. Of those under review in 2003, ten licensed professionals were indicted, 15 pled guilty or were found guilty after trial, and nine received sentences ranging from one year of probation with restitution and fines, to jail terms of up to three years. This collaboration between OIFP and the professional licensing boards has also facilitated the imposition of various disciplinary actions by professional and occupational boards within the Division of Consumer Affairs involving 26 licensed professionals in 2003.

Like his counterparts in OIFP's Liaison Section, the Professional Boards Liaison communicates daily with professionals in such other agencies as the Board of Medical Examiners and the Chiropractic, Dentistry, Pharmacy, and Nursing Boards, providing them with technical assistance and advice as needed. Within OIFP, the Professional Boards Liaison also works closely with the Case Screening Litigation and Analytical Support Section (CLASS) to make sure that referrals to OIFP involving professional licensees are entered into the database which he maintains, and to make sure that those matters are properly assigned and coordinated among investigators and attorneys in OIFP's criminal and civil sections.

Though the Legislature's statutory mandate may have required a mechanism within OIFP to oversee and coordinate insurance fraud efforts throughout the State, those within OIFP's Liaison Section have personally adopted as their credo, "Leadership through Communication, Cooperation and Coordination."